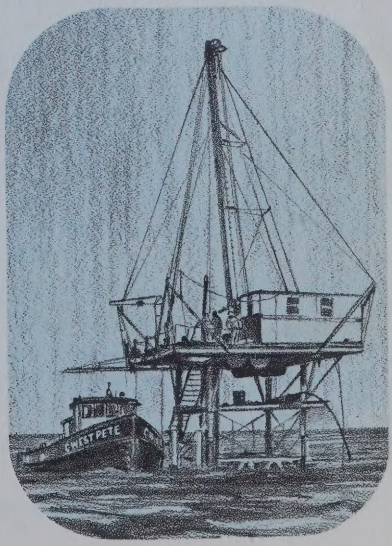
FEB 16 1962

# ANNUAL REPORT




# 1961

CONSOLIDATED WEST PETROLEUM LIMITED

# CONSOLIDATED WEST PETROLEUM LIMITED

## *Report of the Directors*

TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting for your approval, the Annual Report of your Company with Balance Sheet as of December 31, 1961 and Profit and Loss, Earned Surplus and Source and Application of Funds for the year ended December 31st, 1961 certified by the Company's Auditors.

In the Annual Report for 1960, it was stated that natural gas production would be substantially lower in 1961 as all wells would be produced under control. Gas sales in 1961 were $560,341, almost exactly as anticipated. With the good control we now have, the yearly rate of depletion should be very small.

As evidence of what the control has accomplished, the average daily gas sales in January this year were over four million, one hundred thousand cubic feet. In June, 1961, when all wells were first under control, the average daily gas sales were the same.

As previously announced, the highlight of your Company's operations in 1961 was the discovery of oil on the Joseph Sovran farm, Lot 63, Concession VI in Malden Township, Essex County. This well was drilled to earn a one-half interest in a block of leases jointly owned by Imperial Oil Limited and Felmont Oil Corporation. Since the discovery well, two further oil wells have been drilled and are now commencing to produce. Our share of the gross receipts from oil sales was as shown in the statement to December 31st. Sales should now increase materially and at least two rigs will continue further drilling. At the present time, it is well to keep in mind that this oil development, if further wells are successful, may have a significant bearing on the future earnings of your Company.

The operations of your subsidiary company, Underwater Gas Developers Limited were again adversely affected by the fact that very little contract drilling was done in Lake Erie. Underwater showed a loss of $84,807 after writing off depreciation of $83,956, this would mean a working capital decrease of $851.

In order to widen the scope of the Company's operations, we have acquired a twelve and one-half per cent working interest with Imperial Oil Limited, Canadian Delhi Limited and Home Oil Limited in a 33,200 acre spread in Essex County, Ontario, and a twelve and one-half per cent working interest in a 31,800 acre spread in Alberta with Western Decalta Petroleum Limited and Camerina Petroleum Corporation. There have been no discoveries to date on either of these holdings.

As an investment, your Company also acquired 10,000 shares in the Saratoga Processing Company Limited in Alberta for a consideration of $35,750.

Your Directors hope that you will attend the Annual Meeting of your Company to be held at 11.00 o'clock in the morning of February 23rd at the King Edward Sheraton Hotel in Toronto.

The faithful services and high morale of your Company's personnel are highly commended to the Shareholders.

Respectfully submitted on behalf of the Board of Directors.

E. F. COSTE,
*President.*

# CONSOLIDATED WEST PETROLEUM LIMITED

## *Officers*

PRESIDENT.....E. F. COSTE

VICE-PRESIDENT.....M. S. HAAS

SECRETARY-TREASURER.....I. A. McEWAN

ASSISTANT SECRETARY.....MISS E. F. DALE

## *Directors*

J. W. BAIN • E. F. COSTE • M. S. HAAS

H. R. JACKMAN, Q.C. • I. A. McEWAN • E. M. WARWICK

L. C. WEST

## *Transfer Agent*

The Canada Trust Company, Toronto, Ontario

## *Bankers*

The Royal Bank of Canada, Toronto, Ontario

## *Head Office*

Toronto, Ontario

# CONSOLIDATED WEST PETROLEUM LIMITED

## *Auditors' Report*

To the Shareholders
Consolidated West Petroleum Limited.

We have examined the balance sheet of Consolidated West Petroleum Limited as at December 31, 1961, and the related statements of income and earned surplus for the year ended on that date. Except for the Subsidiary company, Underwater Gas Developers Limited, whose accounts were examined by other auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet, supplemented by the explanatory notes appended thereto, and the related statements of income and earned surplus present fairly the financial position of Consolidated West Petroleum Limited as at December 31, 1961, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

B. W. WARE AND COMPANY,
*Certified Public Accountants,*
*Auditors.*

Oakville, Ontario,
January 31, 1962.

# CONSOLIDATED WES

(INCORPORATED UND

## *Balance Sheet as*

*(with comparative figu*

| ASSETS | 1961 | 1960 |
|---|---|---|
| **Current Assets:** | | |
| Cash on hand and in banks | $ 283,538 | $ 125,451 |
| Accounts Receivable | 66,608 | 57,157 |
| Short term investments at cost | ..... | 100,000 |
| Accrued interest | 2,536 | 2,920 |
| Due from subsidiaries: | | |
| Underwater Gas Developers Limited | ..... | 21,446 |
| Essex Gas & Oil Limited | 4,000 | ..... |
| Prepaid income taxes | 4,281 | ..... |
| Prepaid expenses | 8,159 | 7,908 |
| Total current assets | $ 369,122 | $ 314,882 |
| Investments at cost: | | |
| Subsidiaries (Note 1): | | |
| 5½% Demand notes of Underwater Gas Developers Limited | $ 306,000 | $ 306,000 |
| 425,007 Shares of Capital Stock of Underwater Gas Developers Limited | 85,007 | 85,007 |
| 1,345,500 Shares of Capital Stock of Essex Gas & Oil Limited | 49,833 | ..... |
| Other Investments: | | |
| 10,000 Class A Common Shares of Saratoga Processing Co. Ltd. | 35,750 | ..... |
| ⅛ Working interest in oil and gas leases and licenses in Braeburn area Province of Alberta | 25,000 | ..... |
| | $ 501,590 | $ 391,007 |
| **Fixed Assets:** | | |
| Land | $ 3,379 | $ 3,379 |
| Buildings, pipelines and equipment | $ 494,003 | $ 492,123 |
| Less accumulated depreciation | 343,737 | 288,088 |
| | $ 150,266 | $ 204,035 |
| Gas wells (Note 2) | $2,205,429 | $2,134,567 |
| Less amortization of producing gas wells | 1,233,387 | 1,009,605 |
| | $ 972,042 | $1,124,962 |
| Oil wells (Note 2) | 70,599 | ..... |
| | $1,042,641 | $1,124,962 |
| Total fixed assets | $1,196,286 | $1,332,376 |
| | $2,066,998 | $2,038,265 |

NOTE 1 — The assets and liabilities and revenue and expenses for the subsidiaries, Underwa of Consolidated West Petroleum Limited because of the minority interests. The pa ber 31, 1961 amounted to $72,086 and after absorbing this loss the parent Compa to $6,041 to date. Essex Gas & Oil Limited shows no income or loss to Decemb commencement of operations to December 31, 1961 amounted to $91,933. The abo

NOTE 2 — The cost of wells and other preproduction development expenses during the yea mated income taxes payable for the year. The corresponding figure for the year e the cost of the Company's share of one producing and two partially completed life expectancy has not yet been determined.

NOTE 3 — During the year 19,933 shares at a price of $2.50 per share, were issued from the tr 99.6% of the 1,350,000 outstanding shares of that company. 35,000 shares have b ber 31, 1961, 16,000 shares were under option.

# ETROLEUM LIMITED

LAWS OF ONTARIO)

## ecember 31, 1961

*at December 31, 1960)*

| LIABILITIES AND CAPITAL | | 1961 | 1960 |
|---|---|---|---|
| **Current Liabilities:** | | | |
| Accounts Payable | | $ 10,790 | $ 6,719 |
| Estimated income taxes payable | | ..... | 12,725 |
| Accrued royalties and taxes | | 21,945 | 38,981 |
| Due to Underwater Gas Developers Limited | | 91,797 | ..... |
| Total current liabilities | | $ 124,532 | $ 58,425 |
| **Capital:** | | | |
| Capital Stock Common, no par value — | | | |
| Shares authorized | 2,500,000 | | |
| Shares outstanding (Note 3) | 1,119,933 | $ 890,232 | $ 840,399 |
| Earned Surplus (Statement 3) | | 1,052,234 | 1,139,441 |
| | | $1,942,466 | $1,979,840 |
| | | $2,066,998 | $2,038,265 |

Developers Limited and Essex Gas & Oil Limited, are not included in the financial statements
pany's share of the net loss of Underwater Gas Developers Limited for the year ended Decem-
re of net income since commencement of operations of the subsidiary on May 6, 1957 amounts
31, since there has been no production or sales. The cost of exploration and development from
nts have not been taken into the accounts of Consolidated West Petroleum Limited.

December 31, 1961 amounted to $246,499 which amount has been deducted in arriving at esti-
cember 31, 1960 was $424,041. Included in the above figure of $246,499 is $70,599 representing
No amortization of cost of oil wells has been provided in the financial statements because the

r the purchase of 1,345,500 shares of capital stock of Essex Gas & Oil Limited. This represents
ide for options to key employees exercisable to November 30, 1963 at $5 per share. At Decem-

Approved on behalf of the Board:

"J. W. BAIN," *Director*

"E. F. COSTE," *Director*

# CONSOLIDATED WEST PETROLEUM LIMITED

## *Statement of Income*

*For the Year Ended December 31, 1961*

*(with comparative figures for 1960)*

| **Revenue** | **1961** | **1960** |
|---|---|---|
| Gas sales | $ 560,341 | $ 903,955 |
| Oil sales | 3,633 | ..... |
| Rental income | 4,200 | 4,200 |
| Interest earned | 19,313 | 33,149 |
| | $ 587,487 | $ 941,304 |
| *Deduct:* | | |
| *Operating and Producing Expenses* | | |
| Maintenance of wells and plant | $ 87,688 | $ 148,271 |
| Oil producing costs | 1,848 | ..... |
| Royalties, lease rentals and gas tax | 70,900 | 94,085 |
| Municipal and local taxes | 7,705 | 6,612 |
| Depreciation of pipelines, storage tanks and buildings | 55,211 | 77,726 |
| | $ 223,352 | $ 326,694 |
| *General Administrative Expenses* | | |
| Administrative and office salaries | $ 33,500 | $ 39,100 |
| General office and corporate expenses | 17,665 | 18,992 |
| Directors' fees and expenses | 6,625 | 7,687 |
| Legal, audit and engineering fees | 9,312 | 7,036 |
| Transfer Agent's fees | 1,883 | 1,762 |
| Debenture interest | ..... | 12,935 |
| Depreciation of office equipment | 438 | 547 |
| | $ 69,423 | $ 88,059 |
| Less Management Services charged to Subsidiary | 21,000 | 24,000 |
| | $ 48,423 | $ 64,059 |
| Total Deductions | $ 271,775 | $ 390,753 |
| **Operating Income** | $ 315,712 | $ 550,551 |
| *Deduct:* | | |
| Amortization of cost of producing wells | $ 223,782 | $ 241,698 |
| Write off of dry holes and other preproduction development expenses | 105,038 | 165,890 |
| | $ 328,820 | $ 407,588 |
| Net income (loss) before income taxes | ($ 13,108) | $ 142,963 |
| Estimated income taxes | 20,000 | 53,000 |
| **Net Income (Loss) for Year** | ($ 33,108) | $ 89,963 |

# CONSOLIDATED WEST PETROLEUM LIMITED

## *Statement of Earned Surplus*

*For the Year Ended December 31, 1961*

*(with comparative figures for 1960)*

| | 1961 | 1960 |
|---|---|---|
| **Balance January 1** | $1,139,441 | $1,057,710 |
| *Add:* Net income (loss) for year | ($ 33,108) | $ 89,963 |
| Adjustment of prior years' taxes | 901 | 12,102 |
| | ($ 32,207) | $ 102,065 |
| | $1,107,234 | $1,159,775 |
| *Deduct:* | | |
| Amortization of cost of debenture issue | ..... | $ 8,250 |
| Amortization of debenture discount | ..... | 12,084 |
| Dividend paid | $ 55,000 | ..... |
| | $ 55,000 | $ 20,334 |
| **Balance December 31** | $1,052,234 | $1,139,441 |



## *Statement of Source and Application of Funds*

*For the Year Ended December 31, 1961*

*(with comparative figures for 1960)*

| | | |
|---|---|---|
| **Funds Provided —** | | |
| Net income (loss) for year | ($ 33,108) | $ 89,963 |
| Charges not requiring cash outlay — | | |
| Depreciation | 55,649 | 78,273 |
| Amortization of cost of producing wells | 223,782 | 241,698 |
| From adjustment of prior years taxes | 901 | 12,102 |
| To exchange of shares with Essex Gas & Oil Limited | 49,833 | ..... |
| | $ 297,057 | $ 422,036 |
| **Funds Applied —** | | |
| To cost of producing wells | $ 141,461 | $ 258,151 |
| To purchase of fixed assets | 1,880 | 44,659 |
| To redemption of 5¼% Sinking Fund debentures | ..... | 175,000 |
| To purchase of shares of Saratoga Processing Co. Ltd. | 35,750 | ..... |
| To purchase of shares of Essex Gas & Oil Limited | 49,833 | ..... |
| To purchase of interest in leases in Alberta | 25,000 | ..... |
| To payment of dividend | 55,000 | ..... |
| | $ 308,924 | $ 477,810 |
| Decrease in working capital | $ 11,867 | $ 55,774 |
| **Working capital at end of year** | $ 244,590 | $ 256,457 |